

by [Glenn Fisher](#)

6th March 2017

## [We're In A Depression: An Interview With Jonathan Davis](#)



He sits back. Waits. Takes a deep breath.

And then:

*“The biggest problem for the UK?!”*

*“It’s DEBT.*

*“And the fact that we ARE in a depression.”*

Hold on there. Let’s rewind.

I’m talking with Jonathan Davis, one of the most high profile wealth advisers in the UK and one of the newest members to the Agora Financial UK team.

You’ll be hearing from him a lot more in future, so I wanted to sit down with him to learn a little more about his ideas.

We're sat in a quiet bar on the edge of the City, just near the new Agora Financial UK office. Liquid lunches are over, reports the *FT*, and our grapefruit juice and diet coke do sadly seem to confirm that.

But the absence of alcohol doesn't prevent Jonathan from becoming heated:

*"How can you NOT be in a depression if the only thing keeping the plates spinning is more and more debt?"*

*"We have never been in the situation before of such huge debt (even taking into account periods of high debt to fund wars) and such low interest rates.*

*"And I mean NEVER. Literally in human history.*

*"This is such a toxic combination. And when the bubble bursts, the fallout will be bigger than we've ever seen before"*

Jonathan isn't a man who's afraid to say what he thinks...

It's one of the reasons we're so happy to welcome him to the team.

But most importantly he backs up those often-contentious opinions with a huge amount of experience. In fact, he's been working in finance for over 30 years.

On top of that he's racked up over 1,000 media appearances over the past decade as he desperately tried to warn investors about the 2008 financial crash and, now, of the greater dangers he sees up ahead.

When I ask him about how people reacted to his predictions last time round, he's almost exhausted thinking about it:

*"Yeah, I was all over the show in 2007 and 2008, saying the world is going to hell in a handcart.*

*"Oh, how everyone laughed..."*

*"And then we had the biggest economic and financial collapse in history."*

He shrugs his shoulders, opens his hands out, as if to say, what can I do?

Having worked with so many people who speak out against mainstream opinion, it's a feeling I recognise.

Interestingly, though, it was amidst the crisis that Jonathan set up his own wealth management company and began taking on clients...

And he's been doing well for them ever since.

But as the lunchtime crowd begins to flood into the bar, we're concerned with the here and now... the problems we're facing in 2017.

Jonathan explains:

*"We've essentially had 40-50 years of disinflation, which has led to lower and lower borrowing rates and higher and higher debt levels. This, of course, has fuelled asset price inflation, the likes of which the western world has never seen before.*

*"From here on out either we're heading the way of Japan (or #turningjapanese as I coined on Twitter), in which case we're looking at depression, no inflation and asset price collapse, particularly in stocks and property..."*

*"Or we will move from low inflation and rates to much higher inflation and rates. In which case, we would see... guess what... depression along with asset price collapse, particularly in property and Government Bonds. Also, if inflation takes hold then we may see a repeat of the mid 1960s to the early 1980s – when stocks ended where they started but... in real terms they collapsed some 70%. We'll see."*

## **No more bullets...**

Talking of low rates, I ask Jonathan if he thinks they're TOO low?

*"Well, whatever you think: they've shot all their bullets now. The central bankers, I mean.*

*"Next crisis comes: they can't slash rates as they did last time in 2009 (in the UK from 5.0% to 0.5% within months). Remember, that's what got the economy going again after 2008. They can NEVER do it again.*

*"Look, the fact is the Fed essentially decides global interest rates. And they are always too low in good and in bad times. They are too low now.*

*"But the real problem here is that rates are artificial. It's not the market deciding them... it's the elites in their 'Ivory Towers' who think they know best. I disagree."*

That said, I wonder how Jonathan's clients are feeling right now, with rates so low, debt so high and a crisis seeming to be just around the corner?

*"They feel OK, generally. But that's mainly because everyone tells them all is well. But they remember 2008. It's always in the back of the mind.*

*"Still, right now, living costs are low, house prices are high, and they're generally well off – on the face of it.*

*"But what happens next? My clients do wonder what future inflation will do to real asset prices... how it will affect their final salary pensions... their cost of living? Nothing is safe.*

*"People can't imagine house prices falling right now... but they can and they probably will."*

Screw the diet coke, I feel like I need a stiff drink. None of it sounds very positive and I say as much to Jonathan. He takes a sip of his grapefruit juice and laughs:

*"It's not ideal, no. But at least we can accept that things aren't right and do something about it."*

I agree.

But still, it seems slim consolation. Jonathan sees my concern and offers some further hope:

*“Of course, there are reasons to be positive. All this is having a bullish effect on stocks. They have been in a bull market since early last year.*

*“There are indications we could have started a new multi-year bull market either last year or 2013, when the US indices rose above the 2000 and 2007 highs.*

*“People say the equities bull market began in March 2009. It is entirely possible that it ended in 2014 and we have now started a brand new one.*

*“I must say though: I am interpreting the market charts here. I have no views either way on what the market will actually do. I just see it that the market is and has been rising. Thus, I am bullish.”*

Seeing an opportunity for respite from the gloom, I push him for more. Are there any sectors you're particularly excited about right now?

*“I'm particularly bullish on commodities.*

*“I'm talking about miners and oil companies and the like. They've been so beaten down by the multi-year commodity collapse. But that seems to have ended now. I think early 2016 was the turning point.*

*“I'm also heavily invested in actual commodities, as well as commodity companies. I see uranium being big in the future – we'll go into that one another time for your readers.”*

Indeed, over the coming weeks and months, Jonathan will be sharing his insight into a whole range of different issues.

Tomorrow, in fact, we'll be featuring his first new piece about WHY we are in the mess we're in.

I've already seen the piece and I can tell you he holds no punches as to who's to blame. Make sure you look out for it.

However, before we wrap up our lunchtime catch up and our whirlwind introduction to Jonathan, it wouldn't have been right not to quiz him on the biggest topic of the day...

## **Brexit: Good or bad for Britain?**

I keep it simple...

Brexit: good or bad for Britain?

*“Well look: you can argue until the cows come home as to the economic consequences of Brexit. But the fact is we simply cannot know the outcome right now.”*

Jonathan picks up his drink to take a sip. I wonder if that's all he's willing to say on the matter?

It's not like Jonathan to sit on the fence. Indeed, I'm about to push him when he places his drink down and continues, becoming increasingly vocal:

*“What is indisputable is that Brexit does bring back democracy to our country. Had we voted to Remain, within 5-10 years Westminster would have been like a county council to unelected Brussels.*

*“My own belief is that it will be great for the UK economy. We will do trade deals with the Commonwealth, which will allow, for example, cheaper food imports.*

*“We will do a great deal with the US – by far the most important economy in the world.*

*“And personally, I think Theresa May’s 12 point plan is excellent and I hope she achieves it. I believe she will.*

*“As I say, what I know now is that our government will be able to act in our best interests as opposed to having bureaucrats act for us in the interests of 28 countries (or in reality, for the benefit of the bureaucracy).*

*“In my opinion, I’d say that’s a bloody good thing.”*

A good point, I concede. And a good place to end for today, I think.

As you’ve seen, Jonathan has some very interesting views that we’ve only very briefly touched on here. Over the next few weeks and months, he’ll be sharing a lot more.

Tomorrow we’ll be going back to that question of unsustainable debt and Jonathan will share his thoughts on why we got into this mess, economically speaking.

In the meantime, though, I’d be very interested to hear any particular issues you’d like Jonathan to cover in the future.

Don’t hesitate to drop me a line at [feedback@agora.co.uk](mailto:feedback@agora.co.uk), marking the email FAO: Glenn Fisher/Jonathan Davis. We won’t be able to reply to all your emails, but will certainly look to quiz Jonathan on your suggested topics in the future.